ATM Pooling is establishing itself in Europe

Content overview of this article

- Introduction to ATM Pooling, definition of the term and context in Europe
- Common characteristics of ATM Pooling initiatives in Europe
- Three case studies: Bankomat in Sweden, Geldmaat in the Netherlands, 2SF in France
- Main lessons learned

Sparkasse Ansbach is a savings bank in a northern Bavarian small town with a population of roughly 40.000. They own their 25 ATMs and Cash Recycler (CRS) themselves, have the HW on their balance sheet, manage the location, pay rent in locations they do not own themselves, need to look after the insurance, replace devices at the end of the lifecycle or decommission devices in locations that are no longer needed. This is an inefficient operation often including hidden costs that the bank doesn't even realize, especially in a time of declining physical bank touch-points – bank branch locations are and will continue to be reduced – and cash service operations with declining transactions.

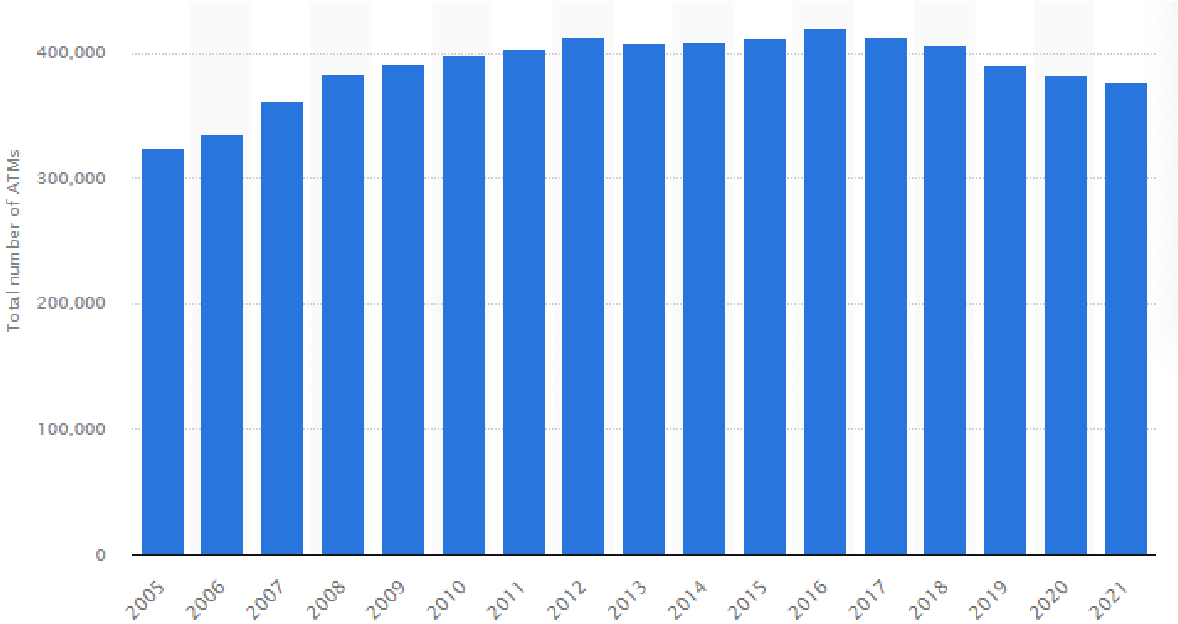

Figure 1: Number of bank ATMs in Europe, the overall decline started prior to the COVID pandemic. Not including IAD (Independent ATM Deployer) ATM numbers.

The situation that individual bank institutions own their ATMs, however few those may be, is still rather common in many European economies such as Germany, Italy, Spain, Poland, the UK, and also in a number of smaller ones as well, e.g. Austria, Switzerland, the Baltics, Hungary, or Ireland.

ATM Pooling, but not really pooling

Yes, there are in mentioned countries inter-bank arrangements in place where the bank customer is offered to withdraw and potentially deposit cash at a wider range of self-service terminals than those that the customer's bank own themselves. In Germany there is for example the Cash Group arrangement between Deutsche Bank, Postbank, Commerzbank and UniCredit with approximately 4.700 terminals in total. However, this arrangement does neither feature a common brand and recognition for bank customers. No surprise then that the share of e.g. Commerzbank customers using UniCredit's ATMs is rather limited. Nor does this arrangement help the participating banks with cost in ownership and operation of their self-service terminal fleet. Each bank has to look after that for themselves.

One could argue that larger banking groups such as the 400 Savings Banks in Germany have solved ATM Pooling by outsourcing operations to their central IT service provider Finanz Informatik. All centralized ATM services such as the SW infrastructure on and behind the terminals, monitoring, IT servicing, Cash-in-transit (CIT) and service provider coordination, cash management, are there put into one operating entity. All Saving Banks institutions pay for such technical and operational service. Still each institution keeps the cost of ownership with the elements outlined above.

And even more importantly in going forward from this day, the development of such an ATM fleet and their locations is done on the basis of 400 individually managed parts of a total fleet by 400 different decision makers sometimes with questionable decision criteria – the bank director being the friend of the mayor, the mayor living in XY-street, hence the ATM on XY-street not being re-located even if the transaction amount per month not justifying the cost of operation of the ATM anymore.

ATM Pooling, for real

But we have real ATM Pooling examples in Europe where banks' balance sheets were relieved of the ATM fleet, where all ownership associated elements were transferred into a third-party company including operations, contracting of all related services and a bank-neutral self-standing brand for easy end customer recognition. This article goes through main and common characteristics of such set-ups in Europe, a selection of such cases – namely in Sweden, the Netherlands and in France - including their country context and highlights some noteworthy aspects in each case.

Common characteristics

1) Even if countries in Europe may have had a different contexts in terms of inter-bank collaboration - smaller countries tend to have a stronger necessity to form country wide solutions whereas in larger countries some banks group around a topic – as soon as cash usage in retail transaction declines to 35% – 25% of all transactions, a bank's cost pressure on cash processes and thus ATM fleets starts to be a pain large enough to demand more than just "thinking about ATM Pooling". Hence **the main driver has been everywhere the need to lower ATM cost for the individual bank** by bringing transactions from many banks together and aggregating onto the same locations and cash service terminals.

2) Another common characteristic is that **it's the full scale of ATM services that is outsourced to such ATM pool providers**. Of course, owning the terminals and operating the total ATM fleet including off- and on-branch ATMs. Providing a full customer service scope with withdrawals with a wide range of card brands, deposits to accounts of each ATM pooling partner bank according to ATM pool SW capabilities, non-cash services such as statement printing (at least mini statements). And the bank-office is outsourced, too, i.e. cash management, transaction processing, monitoring, CIT and maintenance steering, plus needed contractual relationships.

3) The ATM pool providing 3rd parties we studied are **all licensed entities under the financial authorities** of their respective jurisdiction. They either are a payment institution in order to

do ATM acquiring or hold a full banking license as they might provide other cash services beyond the ATM pool.

4) Further we found that such **ATM pool providing 3rd parties do partner up with a SW and IT service provider and feature a rather substantial division of labor**. The majority of centralized, automatable and scalable IT services such as the SW on the ATM terminals, fleet monitoring, fault reporting, ticketing, service dispatching, transaction processing, cash management, CIT coordination are performed by the SW and IT service provider.

5) The **business model to partner banks is transaction based for the common part of the ATM pool.** If one of more partner banks want to maintain an ATM location that is not profitable according to ATM pool rules, a fixed service fee for that specific location is spread among such partner banks. The ATM pool operating 3rd party is responsible to optimize the common ATM Pool locations so that partner banks benefit in their transaction cost from the aggregate volume of all transactions at such locations.

Finland: Automatia, nowadays part of Loomis, Tietoevry as SW & IT provider

The banking crisis in the early 1990s drove three banks, nowadays OP, Nordea and Danske Bank to found Automatia Pankkiautomaatit Oy and pool their ATMs starting from 1994. By 2005 all larger Finnish banks participated in “Otto”, Automatia’s ATM pool and the oldest pooling initiative in Europe. The amount of cash points declined from 1.700 at the start of the pooling initiative to around 1.150 today. The cash service scope consists next to withdrawals also of deposits at around 400+ cash points. The ATM screens feature ads when not in use by a customer. The banks sold Automatia to Loomis AB, mostly known for CIT services, in 2020. Since then ATMs are operated by a from banks independent company.

Sweden: **Bankomat** as ATM pool provider, Tietoevry as SW & IT service provider

Bankomat, the ATM pooling effort in Sweden was formed as a joint venture in 2010 by five banks, Swedbank, Nordea, Handelsbanken, SEB and Danske Bank. Operations started in 2011 with an “as-is” take-over of the banks’ ATM fleets, around 2.300 terminals. 1.250 terminals are in operations today serving all banks in Sweden. Banks have seen a 40% drop in cost over the optimization period. No more than 0,3% of the Swedish population should have a longer distance than 25km, the regulatory requirement, to a bank provided bank outlet. This relatively high km distance is due to the scarcely populated mid and north regions of Sweden. Bankomat features a bank neutral well recognizable light blue brand, the terminals are compliant with EU’s accessibility requirements and Bankomat’s own end user app is an established communication channel and integral part of the offering. Bankomat offers cash depot services to B2B customers as well, as are currently investing in building up an own CIT service due to a lack of competition in the market.

The Netherlands: **Geldmaat** as ATM provider, Tietoevry as SW & IT service provider:

The ABN AMRO, ING and Rabobank joint venture was formed in 2019, the common ATM fleet was operational from the fall of 2021. One main trigger to form an ATM pooling initiative was due to a declining usage of cash versus an increase in card, especially debit card based payments, see figure 2. Moreover, Dutch banks had the motivations to outsource self-service operations completely and standardize the offering. This goal turned out to require quite some efforts as the three banks came from different degrees of outsourcing and had different cash processes in place as individual ATM operators. The Dutch National Bank (DNB) welcomed the initiative with their motivation to maintain a cash access infrastructure across the country, especially in more rural areas.

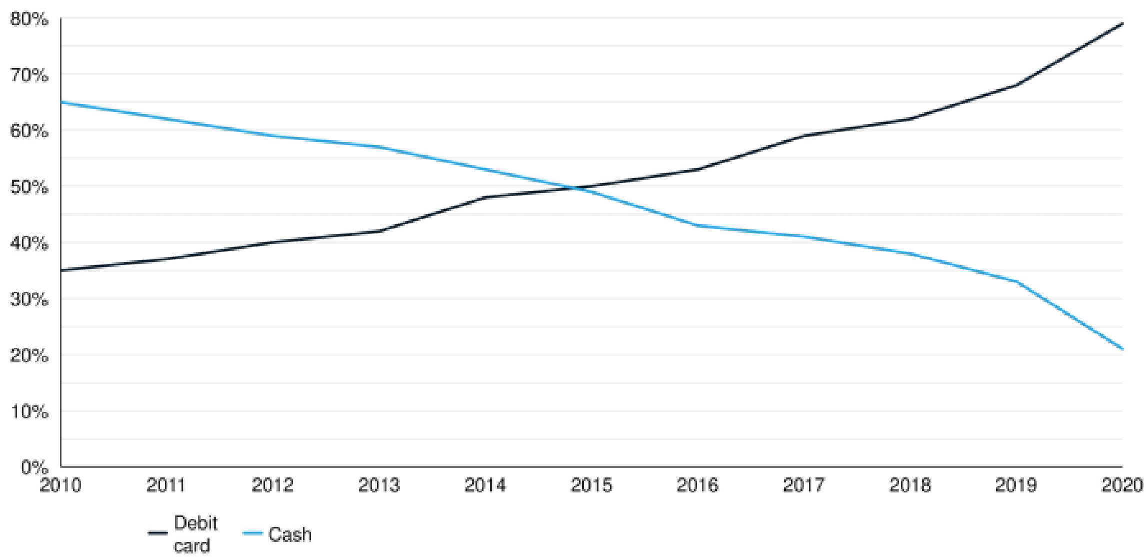

Figure 2: Percentage of the POS transaction volume with Cash vs. Debit card in the Netherlands

Results seem to have justified the efforts so far. Compared to a maximum of 7.500 ATMs in the three banks, Geldmaat operates roughly 3.500 today. A strong and uniform brand identity has been established. Banks could close 75% of their bank branches. ABN Amro today still runs 27 of those, whereas Geldmaat themselves have 31 so-called Geldmaat stores that offer the whole range of cash and self-services and have started to offer bank clerk connections through a video link. A fourth non-founding bank, De Volksbank has joined the Geldmaat pool recently.

France: **2SF (Société des services fiduciaires)** as ATM operator, Euro Information as SW & IT service provider

The recent evolution of ATM market in France can be described by two main features: a strong decrease of total ATM fleet (60k in 2012 to 45k today) and a very strong increase of average transaction value, that almost doubled (120 €/transaction today).

All banks have responded to this evolution through their own strategy to improve the competitivity of ATM business: 2SF project is one of them, coming from the initiative of three banking companies. One large bank has chosen to outsource the whole ATM activity to a global provider of ATM managed services (global cash-in-transit company). Another one conducts internally an ATM network optimization project.

2SF was officially formed as a Joint Venture in July 2022, when three banking groups, BNP Paribas, Crédit Mutuel Alliance Fédérale and Société Générale decided to outsource and merge the entire ATM fleet, management and processing services. It brings together the offer of ATMs Services of the 4 banks: BNP Paribas, Crédit mutuel, CIC (part of Crédit Mutuel Alliance Fédérale) and Société Générale.

The commercial brand of 2SF is Cash Services and operations have started in 2024 with an initial number of banks network ATM processed by the 2SF IT service provider and branded with the Cash Services brand.

The 2SF company objective is to rename and deploy 7900 on and off- and on-branch ATM with the Cash Services brand by the end of 2026. The scope of services deployed include cash withdrawals from CB (Cartes Bancaires) cards and major international scheme cards, cash deposit (notes and coins), and self-service banking mutualized at ATM.

Cost optimization is the main rational of the 2SF project with an objective to halve the total cost of ATM cash handling, ATM management and transactions processing of the three banks. Moreover, 2SF promotes a better access to cash and deposit services with the opportunity to raise the number of terminals available for the customers of the three banks. The mutualization should also decrease the cost of cash transit company for cash delivery and cash collection with the capacity to optimize and group the cash handling and transport to different bank branches.

In summary, some lessons learned:

- **Effective Collaboration**: Ensure transparent and collaborative planning with all partner banks to standardize processes for the whole ATM pool and identify unique needs from banks. Such unique needs should be made known to all partner banks.
- **Strategic ATM Placement**: Position ATMs based on customer traffic patterns to maximize usage and efficiency of the ATM pool. This results most likely in transitioning ATMs away from bank branches towards non-branch locations with higher customer traffic such as malls, gas stations, market squares, etc.
- **Flexible Business Model**: Adopt a flexible model that accommodates transaction-based cost reductions as more banks join the pool and balances that with unique bank-driven needs, such as specific locations.

- **Resource Management**: In the transition of ATMs from banks to the ATM pool ensure the continuation of services by managing resources, capabilities, and commitments. Banks may want to transition or discontinue ATM resources after a hand-over and not all aspects will be solved before or during a migration project. Some bank-side resources are needed to look after remaining topics after such a transition.

- **Service Evolution**: Transition and develop the ATM pool's offering from serving the customer's ad-hoc demand for cash withdrawals to targeted services like cash centers with a rich scope of cash and self-services, night deposits to meet evolving customer needs; and optimize local cash recirculation for improved operational efficiency.

- **IT provider selection**: need particular attention to select the provider in line with the ATM pooling project objectives. Strategic analysis and decision for the choice between several option: adoption of an existing/adapted solution or the choice of a new provider providing a new solution

- **Partnership strategy** and agreements: several partners are key for the success of the project. Contracts with Cash-in-transit companies have to be reviewed and negotiated. The agreement with the SW and IT solution provider needs to take into consideration the services upgrade and the evolution of the market in the long run. Schemes acceptance agreements are to be prepared and signed under the new Cash pooling company payment license.

- **Cost optimization**: cost control during the build phase of the project is essential. A too long or delayed migration phase of ATM terminal could hamper the cost reduction objective; Back-office operations for ATM transactions should focus on simplification and automatization of processes as much as possible.

For further questions and discussion on ATM pooling contact the authors or your local EPCA representative. We're happy to provide advice on the topic.

EPCA member companies: https://europeanpaymentadvisors.com/members/

Sources:

Based on project work from EPCA members: rieger.fi & Galitt

Figure 1: https://www.statista.com/statistics/419553/atms-europe/

Figure 2 and contextual input: https://www.betaalvereniging.nl/wp-content/uploads/Geldmaat-an-example-of-ATM-pooling-in-the-Netherlands.pdf